

Community resources

[Follow us on Twitter](#) [Check our Reddit](#) [Twitter this](#) [Digg this page](#) [Contact us on IRC](#)

courage is contagious

Viewing cable 09NICOSIA488, CYPRUS: REGIONAL BENEFITS FROM NATURAL GAS IN THE

If you are new to these pages, please read an introduction on the [structure of a cable](#) as well as how to [discuss them](#) with others. See also the [FAQs](#)

Understanding cables

Every cable message consists of three parts:

- The top box shows each cables unique reference number, when and by whom it originally was sent, and what its initial classification was.
- The middle box contains the header information that is associated with the cable. It includes information about the receiver(s) as well as a general subject.
- The bottom box presents the body of the cable. The opening can contain a more specific subject, references to other cables ([browse by origin](#) to find them) or additional comment. This is followed by the main contents of the cable: a summary, a collection of specific topics and a comment section.

To understand the justification used for the classification of each cable, please use this [WikiSource](#) article as reference.

Discussing cables

If you find meaningful or important information in a cable, please link directly to its unique reference number. Linking to a specific paragraph in the body of a cable is also possible by copying the appropriate link (to be found at the paragraph symbol). Please mark messages for social networking services like Twitter with the hash tags **#cablegate** and a hash containing the reference ID e.g. **#09NICOSIA488**.

Reference ID	Created	Released	Classification	Origin
09NICOSIA488	2009-07-29 09:33	2011-08-30 01:44	CONFIDENTIAL	Embassy Nicosia

Appears in these articles:

<http://www.tanea.gr>

VZCZCXRO9098
OO RUEHAG RUEHROV RUEHSL RUEHSR
DE RUEHNC #0488/01 2100933
ZNY CCCCC ZZH
O 290933Z JUL 09 ZDK
FM AMEMBASSY NICOSIA
TO RUEHC/SECSTATE WASHDC IMMEDIATE 0036
INFO RUCNMEM/EU MEMBER STATES COLLECTIVE IMMEDIATE
RUEHAK/AMEMBASSY ANKARA IMMEDIATE 5501
RUEHTV/AMEMBASSY TEL AVIV IMMEDIATE 6480
RUCPDO/DEPT OF COMMERCE WASHDC IMMEDIATE

C O N F I D E N T I A L SECTION 01 OF 02 NICOSIA 000488

SIPDIS

E.O. 12958: DECL: 10/28/2019
TAGS: [ECON](#) [PREL](#) [ENRG](#) [EPET](#) [CY](#)
SUBJECT: CYPRUS: REGIONAL BENEFITS FROM NATURAL GAS IN THE
EASTERN MEDITERRANEAN - NOBLE ACTIVITY MOVING AHEAD

REF: A. NICOSIA 351
[1](#)B. NICOSIA 344

Classified By: CDA JONATHAN COHEN FOR REASONS 1.4 B AND D

[1](#)1. (C) Summary. Houston-based Noble Energy will conduct

seismic exploration in its offshore Cypriot and Israeli blocs beginning the end of September and expect to finish about two months later. We anticipate the Turkish Cypriots will object to the exploration activity, arguing that offshore assets belong to all Cypriots. Turkey, while not likely to make any claims of its own on the Noble bloc, will strongly defend Turkish Cypriot "rights." The earliest gas might flow from Cypriot deposits is 2015. In meetings with a variety of actors in the RoC energy sector, Noble's new country manager for Cyprus found interest in the idea of a pipeline connecting offshore gas deposits in the eastern Mediterranean to Cyprus and, perhaps, on to Turkey and Europe. We will explore the possibility that this idea might defuse some of the tension over offshore exploration to the island's south and east. End Summary.

¶2. (SBU) Noble Energy's newly-appointed country manager for Cyprus, Colin Sinclair, arrived to take up his duties on the island on June 25. Sinclair has had meetings with the Minister of Commerce, Energy Regulator, Chairman of the Electricity Authority (semi-government electricity monopoly), president of the Chamber of Commerce and Industry, the Israeli Embassy, the Cyprus Investment Promotion Agency, and the U/S of Energy over the past three weeks in order to introduce himself and his company to the business and energy communities and to continue building good relations with the GoC.

¶3. (C) Noble plans to collect additional seismic data on offshore blocs in Israeli and Cypriot waters beginning in late September. The company will charter a seismic research vessel out of Israel which will then "stray" into Cypriot waters. Data collection is expected to be completed by late November and the determination of whether the data supports drilling test wells would be made by mid-2010. Even with excellent results, the earliest gas could flow from any Cypriot deposits would be 2015. Despite the extended timeframe, Turkey and the Turkish Cypriots will likely object on the grounds that the GoC does not speak on behalf of Turkish Cypriots, who believe they are entitled to have input into any offshore development plans and share any of the proceeds from production. Turkey also disputes in general the rights of an island to a EEZ beyond a 12-mile limit, although recent maps released by the Turkish Petroleum Company (TPAO) seem to indicate that they will apply this only to the west of Cyprus.

¶4. (SBU) At every meeting, Sinclair has spoken about Noble's gas discovery announced on July 7 at the Tamar-2 location offshore Israel. In conjunction with the Tamar-1 site Noble had previously disclosed, the structure constitutes the largest find in the company's history, 6.3 trillion cubic feet of gas (99.7% pure methane) equivalent to over 1 billion barrels of oil. Noble suspects that a similar structure may be found in Cyprus' bloc 12, abutting Israel's EEZ, to which Noble acquired exploration and production rights in October, ¶2008. There is already an onshore gas processing facility in Israel and Noble intends to have the first gas from Tamar delivered to it in 2012. Sinclair has made clear in his conversations with Cypriot officials that Cyprus should consider using Tamar as a source of gas for Cyprus. This would require either a gas liquefaction plant to be built in Israel (to complement a long-planned LNG terminal in Cyprus, which remains in the planning stage) or, preferably, the construction of an undersea gas pipeline between Israel and Cyprus. Noble believes this same pipeline could be used to bring gas ashore to Cyprus if sufficient deposits are eventually found in Noble's Cypriot bloc.

¶5. (SBU) If Tamar were able to deliver gas to Israel by 2012, and a pipeline to Cyprus could be built in the same timeframe, this would allow Cyprus to use gas for electricity generation more quickly than the 2013 date Cypriot officials anticipate for completion of a LNG terminal (Sinclair believes this timeline for construction of a LNG terminal is extremely ambitious.) For the past six months, Cyprus has been pursuing the construction of a LNG terminal. The earliest gas might flow from Cypriot deposits is 2015. Despite the extended timeframe, Turkey and the Turkish Cypriots will likely object on the grounds that the GoC does not speak on behalf of Turkish Cypriots, who believe they are entitled to have input into any offshore development plans and share any of the proceeds from production. Turkey also disputes in general the rights of an island to a EEZ beyond a 12-mile limit, although recent maps released by the Turkish Petroleum Company (TPAO) seem to indicate that they will apply this only to the west of Cyprus.

Cypriot neroutr hav menine o rngin Isrei a
t Cypu:

- Thecosto tepieine athuh icli beleesiwuld e lesthnth os f th LNG terminal.)
- Concern among the Cypriots that a pipeline does not allow for storage in case of a pipeline breakdown.
- Planning for the LNG terminal has been delayed for years. To shelve the project now would require a shift in momentum. There is some discussion of having both the pipeline and the terminal.
- If significant gas is discovered offshore Cyprus, what would be done with the additional gas being purchased from Israel?

¶6. (C) As a means to overcoming these obstacles, Solon Kassinis, the U/S of Energy, argues that Cyprus should extend the proposed pipeline to integrate eastern Mediterranean gas into the Nabucco pipeline in Turkey. While acknowledging the political difficulties, Kassinis believes that creating a common economic incentive for developing the region's energy assets would lower the political tensions around offshore resources and complement the stated Turkish goal of creating a more-integrated regional economy. He believes the first step is for Cyprus and Israel to reach a mutually agreed demarcation of their EEZs, a process reportedly requiring a new law in Israel. (Comment. Kassinis says Cyprus would happily accept an MOU in lieu of waiting for Israel to pass a law. End Comment) Until this issue with Israel is resolved, The GoC will oppose Noble selling an interest in its Cyprus bloc to its major Israeli partner, Delek Drilling. Noble wants to sell a significant minority portion of its Cyprus bloc to Delek to reduce its risk on the Cyprus exploration and ensure its interests are aligned with their Israeli partner's.

¶7. (C) Comment. Sinclair has noted several times that the Department of State played a key role in the negotiations leading to connecting Egyptian gas from offshore Sinai into the Israeli gas grid and that this was done to link the countries together economically. The Minister of Commerce expressed his keen interest in Cyprus becoming an energy exporter, but noted his concerns about doing business with Turkey until the Cyprus problem is settled. Offering a way for Turkey to benefit from regional gas deposits could remove one obstacle to the success of the reunification talks. We will probe whether the possibility of a regional pipeline might be used within the context of the talks to reduce tensions.
Cohen